THE NATIONAL Voter

LEAGUE OF WOMEN VOTERS OF THE U. S.

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Dilemmas in Foreign Trade

IN 1951 the U. S. exported $15 billion worth of goods and services but imported only $11 billion. This large gap between what we buy and sell would not be so much of a problem if this were a temporary situation; but it isn't. Since 1914 U. S. exports have always exceeded imports. Americans often make the mistake of thinking that this excess of sales over purchases is to our advantage because they compare it to a business where income should exceed expenditures. The two are not truly comparable.

Whenever another country buys from the U. S. it must pay in dollars. If other nations cannot sell to us and earn dollars to pay for U. S. goods, soon the lack of dollars prevents them from buying. In the long run the foreign trade of each country must balance.

Dollar shortages mean that other nations cannot contribute their share to the defense effort, or buy goods they desperately need from the U. S. Since the war, the U. S. taxpayer has financed the export of necessary goods for military purposes and for reconstruction, but it is generally agreed that the U. S. cannot give away goods indefinitely.

One logical way to help solve the dilemma is for the U. S. to import more goods from friendly nations. This would allow them to earn dollars rather than asking for aid; it would lessen the pressure to buy from Soviet-dominated countries; it would produce greater incentives to cooperate in the defense effort; it would keep employment high in many basic U. S. industries by sustaining the export market.

"This Will Keep Out Competition"

Reprinted from The Washington Post

U. S. policy, as developed in the Marshall Plan, did encourage other countries to expand their export industries. As soon as increasing quantities of foreign goods started coming to the U. S., however, many private business and labor groups began to demand protection against "foreign competition." Congressmen frequently submit to such pressure with the result that the trade gap is widened.

Last year the Reciprocal Trade Agreements Act was amended to make it easier for American producers to obtain relief from foreign competition. Recently the Tariff Commission has received requests for protection for such commodities as garlic, glacé cherries, spring clothes pins, wood screws, jewelled watches, bicycles, tobacco pipes and dried figs.

Some industries go directly to Congress for protection. Congress has already restricted imports of cheese and other dairy products and may pass a special bill levying a tariff on tuna fish. Many groups are also trying to keep Congress from modernizing customs procedures to cut down red tape. Another "protective" law directs the government to give preference to American firms when contracts are let, though in many cases a foreign firm could produce the goods at less cost.

Specific examples show what import restrictions mean to other nations. Italy depends for dollar income on sales of cheese, olive oil, and almonds to the U. S. The U. S. in recent months has acted, or has action pending, to curtail these imports. They amount to less than 5% of American consumption. Italians cannot comprehend why Americans are afraid to let their 5% compete and at the same time complain that Italy is not doing enough to provide for her own defense. Good will earned by the Marshall Plan threatens to turn into antagonism.

Japan in the pre-war period carried on a large trade with China, trading industrial products for raw materials. If Japan is to curtail her trade with communist China she must find markets and materials elsewhere. The U. S. is about to restrict imports of tuna fish from Japan. Great Britain resents Japan's attempt to gain markets in Southeast Asia, markets which Great Britain needs because she can't get them in the U. S. If Japan can't earn dollars to buy coal, the alternatives are a reduced economic level, the purchase of coal from China, or continued aid from the U. S.

These points are of necessity simplified, but they highlight the problem of the trade gap. American producers and labor will continue to ask for special privilege. Congressmen likewise will continue to legislate protective trade measures until many private citizens realize the implications of trade restrictions for the whole policy of international economic cooperation and for the taxpayer who meets the bills for foreign aid.

Axe to the Budget?

NONE of the major appropriations bills for the 1953 fiscal year has actually become law, so it is not yet possible to predict how far Congress will go to meet the widespread demand for economy. However, the House, which is traditionally the place where the biggest slashes are made, has passed nearly all the appropriations measures. House reductions of over $5 billion from budgetary estimates have been effected, the biggest part of which is the $4.7 billion cut in defense appropriations. Requests from the Labor and Commerce Departments, Federal Security Agency, and the independent offices have also been cut.

Cuts made by the House obviously do not approach the $14 billion budget reduction demanded by some business groups. Also the Senate usually manages to restore some of the House cuts. So far the Senate has restored small amounts to the Labor-Federal Security bill, but has made even deeper cuts in the Treasury-Post Office bill.

Two ways of cutting appropriations are:

1. Arbitrary percentage cuts in total appropriations. For example 10 or 15% across the board, with no regard to what services are affected.
2. An item-by-item evaluation of what government activities are, or are not, essential.

In using the percentage cut method, Congress actually surrenders some of its responsibility for making the final decision on how much money should be spent and where. In the second type of action, to determine what is "non-essential" at the time of appropriations rather than when the legislative authorizations are considered offers opponents of particular governmental activities a rather backhanded opportunity for success. For example, cuts in appropriations have considerably reduced the public power program. Also those strongly opposed to public housing have been able practically to eliminate this program by setting limits in appropriations bills to the number of new houses that can be started in a given fiscal year.

What the House has done so far shows that Congress has responded to the economy wave, but not to the extent demanded by the extremists. Congressmen find it very difficult to examine the budget and decide where specific cuts can be made that are reasonable and popular. Also, appropriations bills often go through because Congress doesn't want to cut. There is an element of truth in some wag's rule of thumb for a successful politician—"Never vote for a tax or against an appropriation."

Cuts in Mutual Security

AS the VOTER goes to press, the Senate is debating the Mutual Security bill. The House passed its version by vote of 167 to 110 on May 23, reducing economic aid to Europe (already cut 10% by the Foreign Affairs Committee) by an additional $615,300,000. Point Four aid to Asia and the Pacific was cut by $111 million. With less than half the members present, the House adopted an amendment to limit funds for supplies and equipment to be used in technical assistance projects. For every $1 spent to send a technician abroad, only $3 can be used for equipment. This amendment, if it becomes law, will destroy the essence of the India program, for example, where the emphasis is placed on making the Indians self-sufficient in food production. To do this, supplies in much more than a three to one ratio are needed. The amendment does not apply to countries in Southeast Asia which also receive military aid.

The House also voted a 10% reduction in administrative personnel.

The Senate will probably vote on its authorization bill before June 1. The two bills will then go to a conference composed of ranking members of the Foreign Affairs and Foreign Relations Committees.

★ CONGRESSIONAL SPOTLIGHT ★

Mutual Security Program (S. 3086 and H.R. 7005): (See above)

Defense Production Act (S. 2564 and H.R. 6546): Senate Banking and Currency Committee reported bill May 21, extending the Act for one year. Wage and price controls are continued for only nine months. The Committee substituted for Section 104 a provision restricting imports when surplus exists here and restricting exports when shortage exists. The League had urged eliminating Section 104. House Banking and Currency Committee hearings continue. (See VOTER 5/15/52)

Immigration Bill (S. 5678): Senate passed this bill with minor amendments May 21. (See VOTER 5/1/52) Conferees are Senators McCarran (D., Nev.), Eastland (D., Miss.), O'Connor (D., Md.), Smith (D., N.C.), Wiley (R., Wis.), Ferguson (R., Mich.), and Jenner (R., Ind.); House: Walter (D., Pa.), Chelf (D., Ky.), Wilson (D., Texas), Donohue (D., Mass.), Graham (R. Pa.), Thompson (R., Mich.), and Case (R., N.J.).

Budget (S. 913 and H. R. 7888): House Rules Committee is holding hearings on these companion bills to create a Joint Committee on the Budget.

Treaties (S.J.Res. 130): On May 21 Senate Judiciary Subcommittee began hearings on proposed constitutional amendment limiting the treaty-making power introduced by Senator Bricker (See VOTER 3/15/52). Most witnesses heard so far favor amendment.

Customs Simplification Act (H.R. 5505): Senate Finance Committee is holding executive sessions on this bill to simplify the operations of the Tariff Act of 1930.

D.C. Home Rule (S. 1976)*: Signatures are still needed for Petition No. 11 to bring this bill to the floor for action.

Reorganization (S. 317): This bill to disapprove Reorganization Plan #2 (Post Office) was introduced by four Senators on Post Office and Civil Service Committee. Either House of Congress has the power to kill a reorganization plan until June 21.

* Indicates League support.

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